

Words from our hero in the Congress, the Honorable Ron Paul, member of the House Banking Committee, speaking from the floor of the House of Representatives today:

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[...] “Greenspan would just print more money, inflate the currency faster, lower the interest rates, all would be well. But I don't think it's that simple. It is very clear that we have these cycles and these booms coming from a monetary system that is pure fiat. Fiat money means the money is created out of thin air and the characteristic of a fiat monetary system is that you have over-speculation, you have stock market booms, you have stock market crashes, and you have a business cycle.

This comes from the mismanagement of money. Mainly because man in his efforts to plan have economic central planning through monetary policy is incapable of providing the information necessary that a free market is supposed to. Only a free market can tell us what interest rates should be or what the money supply should be. But we have become dependent on a Federal Reserve system that pretends to know all these things and we have allowed Alan Greenspan to believe that he can regulate the entire economy as well as the stock market by the Open Market Committee. Inflation is nothing more than the creation of new money out of thin air.

Sometimes it raises prices in certain areas, other times in other places. But the whole principle of fiat money is that when you create new money, you devalue the value -- you lower the value of the dollar. And this is what is happening. Right now we're increasing the money supply as measured by m.z.m. at the rate of 20% per year. This means that ultimately that dollar that we use to purchase goods and services will go down in value, and yet the only thing that we hear about is the cry to the Federal Reserve, just print more money, faster, because that will save us all. It will raise the stock market. It will make sure that the economy does not go down, go into a downturn.

This is not the case. Ultimately what we have to have is monetary reform. Currency reform. We have to have a time when once again we have a money that can't be created out of thin air. We have to have money of value. Something that government and politicians can't create out of [thin air.]”

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The only addition I would like to make to Dr. Paul's statement is that almost all of our money is created by banks, not politicians nor the government. For example, of the roughly \$7.3 trillion created out of nothing since 1950, only about \$550 billion was created by the Federal Reserve. The remaining \$6.7 trillion was created by a small group of specially privileged individuals: bankers. [Note: “special privilege” is the ability to employ the coercive power of government to gain an advantage over other citizens. The

notion of special privilege has always been repugnant to the American sense, and for good reason.]

Because greed and the lust for power know no limits, the privilege of creating fiat money should never have been granted to anyone, and our Constitution does not permit it. In every country where this has occurred, the result has been a disaster for ordinary people.

Larry Parks

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